

## Message Text

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DRAFTED BY XMB:C.E.HOUSTON

APPROVED BY EB/IFD/ODF RANDOLPH A.SWART

XMB:STEPHEN M. DUBRUL, JR.

EA/K MR. MAYHEW

----- 015568

O 212126Z MAY 76

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL IMMEDIATE

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E.O. 11652; N/A

TAGS: EFIN, KS

SUBJECT: EXIMBANK FINANCING OF KOREAN PROJECTS

1. FOR THE EMBASSY'S INFORMATION WE QUOTE THE TEXT OF A LETTER TO DEPUTY PRIME MINISTER NAM DUCK-WOO WHICH WAS DELIVERED TO MINISTER YANG OF THE EMBASSY OF KOREA ON MAY 19, 1976, FOR TRANSMITTAL TO THE DEPUTY PRIME MINISTER.

QUOTE: DEAR MR. MINISTER:

ON YOUR VISIT TO THE EXPORT-IMPORT BANK LAST WEEK, YOU PRESENTED TO US A LIST OF PROPOSED PROJECTS WHICH YOU REQUESTED THE BANK TO CONSIDER FINANCING IN THE ORDER OF PRIORITY ASSIGNED TO THE PROJECTS BY THE ECONOMIC PLANNING BOARD OF YOUR GOVERNMENT. THE AGGREGATE AMOUNT OF LOANS REQUESTED FROM THE BANK FOR THE PROJECTS WAS DOLS 487,218,000. YOU ASKED THAT WE ADVISE YOU OF OUR REACTION TO YOUR REQUEST FOR THE BANK'S ASSISTANCE IN FINANCING THE PROJECTS.

OUR BOARD OF DIRECTORS HAS GIVEN SERIOUS CONSIDERATION TO THE MATTER IN LIGHT OF THE BACKGROUND BRIEFING MATERIAL PRESENTED BY YOU, INCLUDING THE BANK'S OUTSTANDING LOANS AND LIMITED OFFICIAL USE

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UNDISBURSED COMMITMENTS IN YOUR COUNTRY. THE CONCLUSIONS

OF THE DIRECTORS ARE THESE.

IN VIEW OF THE NEED FOR THE POWER TO BE GENERATED BY THE COMBINED CYCLE POWER PLANT, THE DIRECTORS AGREED TO CONSIDER THE APPLICATION FOR A LOAN FOR THE PROJECT AND WE ARE PROCEEDING WITHOUT DELAY TO PROCESS THE APPLICATION. IN DECIDING TO ASSIST IN FINANCING THE COMBINED CYCLE POWER PROJECT, ENTAILING AS IT DOES SO LARGE A DOLLAR COST, THE DIRECTORS WERE CONSTRAINED TO REACH THE FOLLOWING DECISIONS ON THE OTHER PROJECTS FOR WHICH THE BANK'S FINANCING WAS REQUESTED.

WITH RESPECT TO THE ESTIMATED COST OVERRUN OF DOLS 12,470,000 FOR KORI NUCLEAR POWER PLANT UNIT NO. 1, OUR DECISION IS THAT THE COST OF THE OVERRUN SHOULD BE FINANCED FROM SOURCES OTHER THAN THE EXPORT-IMPORT BANK. AT THE SAME TIME, SINCE THE POTENTIAL OVERRUN ON KORI UNIT NO. 2 INVOLVES THE SAME CONSIDERATIONS, OUR DIRECTORS DETERMINED THAT THIS OVERRUN SHOULD LIKEWISE BE TAKEN CARE OF BY YOUR GOVERNMENT WITHOUT PARTICIPATION BY THE BANK AS YOUR GOVERNMENT HAS INDICATED IT WAS PREPARED TO DO IN THE EVENT THE BANK COULD NOT SEE ITS WAY CLEAR TO FINANCE THE OVERRUN. IN ADDITION, WE SHOULD INFORM YOU THAT WE BELIEVE IT INAPPROPRIATE FOR US TO EXECUTE THE CREDIT AGREEMENT FOR KORI UNIT NO. 2 UNTIL YOUR GOVERNMENT HAS ARRANGED TO FINANCE THE COST OVERRUN ON THIS PROJECT. WE ARE PREPARED, HOWEVER, TO NOTIFY THE US CONGRESS THAT SATISFACTORY SAFEGUARD ARRANGEMENTS HAVE BEEN MADE AND WE WILL SEND SUCH NOTICE TO THE CONGRESS PROMPTLY.

WITH RESPECT TO THE PURCHASE OF RELOAD FUEL ELEMENTS FOR KORI UNIT NOS. 1 AND 2, ESTIMATED AT DOLS 92,428,000, THE BANK IS NOT PREPARED TO CONSIDER THIS REQUEST BECAUSE IT IS PREMATURE SO FAR AS THE USE OF THE FUEL IS CONCERNED. IN SO DECIDING, THE DIRECTORS WISH TO STATE THAT THEY ARE NOT COMMITTING THE BANK TO ASSIST IN FINANCING THESE RELOAD FUEL ELEMENTS WHEN THE NEED FOR THEM MAY BE MORE IMMEDIATE.

WITH RESPECT TO THE REMAINING 12 PROJECTS ON THE REVISED LIST, THE BANK IS NOT PREPARED TO CONSIDER ANY OF THEM AT THIS TIME. AS WE HAVE INDICATED, THE AMOUNT INVOLVED IN THE COMBINED CYCLE POWER PLANT IS SO LARGE THAT, HOWEVER MUCH LIMITED OFFICIAL USE

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THE BANK MAY AUTHORIZE FOR THE PROJECT, IT WILL BE ALL THE BANK CAN COMMIT FROM ITS RESOURCES FOR PROJECTS IN YOUR COUNTRY FOR THE IMMEDIATE FUTURE. IT IS DIFFICULT TO SAY WHEN THE SITUATION WILL BE SUCH THAT THE BANK WILL BE ABLE TO TAKE ANY OF THESE PROJECTS UNDER CONSIDERATION BUT IT WILL NOT BE BEFORE AT LEAST SIX MONTHS HAVE ELAPSED. AGAIN YOU WILL APPRECIATE THAT THE BANK IS NOT COMMITTING ITSELF TO AUTHORIZE A LOAN FOR ANY PARTICULAR PROJECT WHEN IT IS READY TO GIVE CONSIDERATION

TO FURTHER PROJECTS CREDITS FOR YOUR COUNTRM

I TRUST, MR. MINISTER, THAT YOU WILL UNDERSTAND THAT  
THESE WERE DIFFICULT DECISIONS FOR ME AND MY FELLOW DIRECTORS.  
YOUR FORCEFUL BUT GRACIOUS PRESENTATION ON BEHALF OF YOUR  
GOVERNMENT IMPRESSED US ALL. WE AT THE BANK CONTINUE TO HAVE  
FAITH IN YOURCOUNTRY'S ECONOMIC FUTURE. OUR RESPONSE TO YOUR  
REQUEST, HOWEVER, WAS NECESSARILY LIMITED BECAUSE RESOURCES  
OF THE BANK, TAKING INTO ACCOUNT OUR OUTSTANDING COMMITMENTS,  
CANNOT ACCOMMODATE THE LARGE NEEDS OF YOUR FAST DEVELOPING  
ECONOMY FOR EXTERNAL CREDITS, AT LEAST WITHIN THE TIME SCHEDULE  
YOUR GOVERNMENT HAS PROJECTEDM

WITH MY BEST WISHES.

VERY TRULY YOURS,.

(SIGNED) STEPHEN M. DUBRUL, JR. UNQUOTE

2. THE KORI II PROJECT WAS RE-SUBMITTED TO THE CONGRESS ON  
MAY 19, 1976. ROBINSON

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